

# SMALL BUSINESS LOAN FUND CORPORATION

## MINUTES OF THE BOARD OF DIRECTORS

December 15, 2011

### PUBLIC SESSION

A monthly meeting of the Board of Directors (the "Board") of the Small Business Loan Fund Corporation (the "Corporation") was held in public session at the offices of the Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island on December 15, 2011, scheduled for 9:30 a.m., pursuant to notice of the meeting to all Directors, and public notice of the meeting as required by the By-Laws of the Corporation and by Rhode Island General Law 42-46-6.

The following Directors were present and participated throughout the meeting: Mr. Raymond Fogarty, Mr. William Parsons, Mr. Richard DeMerchant and Mr. Thomas Stocker.

Ms. Leslie Taito joined the meeting in Public Session at 9:43 a.m.

The following Director(s) were absent: None

Also present were: Sean Esten, Corporation Administrator, Steve Noack, Corporation Administrator, Stacy Farrell, Corporation Staff, Susan Morgan, Corporation Administrator, Earl F. Queenan, Managing Director of Financial Services, Christopher Cannata, Corporation Staff, Tim Cole, RIEDC Staff, Armeather Gibbs, RIEDC Staff and Tom Moses, Legal Counsel, Moses & Afonso, Ltd.

Mr. Fogarty presided over the meeting.

1. **Call to Order.**

Mr. Fogarty called the meeting to order at 9:31 a.m.

2. **Approval of the Minutes of the Meeting Held on November 17, 2011.**

The first item to come before the Board was approval of the Public Session Minutes and the Executive Session Minutes of the Board meeting held on November 17, 2011. Upon motion duly made by Mr. Parsons and seconded by Mr. DeMerchant, the motion to approve the Public Session Minutes and the Executive Session Minutes of the above noted meeting as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons, Mr. DeMerchant and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Ms. Taito

**3. Maintain the Executive Minutes of November 17, 2011 as Confidential.**

The next item to come before the Board was a vote to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on November 17, 2011. Upon motion duly made by Mr. Parsons and seconded by Mr. DeMerchant, the motion to maintain the confidentiality of the Executive Session Minutes of the above noted meeting as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons, Mr. DeMerchant and Mr. Stocker.

The following Directors voted against the foregoing: None.  
The following Directors were absent for the vote: Ms. Taito

**4. Approval of the Minutes of the Emergency Meeting Held on November 29, 2011.**

The next item to come before the Board was approval of the Public Session Minutes of the Emergency Board meeting held on November 29, 2011. Upon motion duly made by Mr. DeMerchant and seconded by Mr. Parsons, the motion to approve the Public Session Minutes the above noted meeting as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons, Mr. DeMerchant and Mr. Stocker.

The following Directors voted against the foregoing: None.  
The following Directors were absent for the vote: Ms. Taito

**5. Report of Cash Position as of November 30, 2011.**

Mr. Queenan asked if there were any questions or comments regarding the Cash Report for the period ended November 30, 2011 (Exhibit A). He noted that the lending capability of the fund was becoming a bit limited, at approximately \$850,000 available for lending to date. He indicated that this would be helped with the receipt of funds from the State Small Business Credit Initiative (SSBCI). Additionally he noted that some of the commitments currently listed under the 'Core' fund would be closed from the SSBCI funds. Ms. Taito asked what the current level of coverage for Directors and Officers (D&O) insurance is, and if it was adequate for the receipt of additional funding. Mr. Queenan indicated that it was \$10 million, however stated he would review the policy to ensure the coverage was adequate. There was no further discussion on this report.

**6. Delinquency Loan Report as of December 9, 2011.**

Mr. Queenan asked if there were any questions regarding the Loan Delinquency report dated December 9, 2011 (Exhibit B), or the notes from the Delinquency subcommittee meeting which took place on November 28, 2011 (Exhibit C). There was no discussion regarding these items.

**7. Review of Disaster Relief Fund Loans related to Tropical Storm Irene**

Mr. Queenan reviewed the Memorandum regarding the loans closed under the program developed to aide businesses affected by Tropical Storm Irene (Exhibit D). He noted that these loans were approved according to the policy presented at the emergency board meeting which took place on Wednesday, August 31, 2011. There was no further discussion regarding these approved loans.

**8. Final approval of Resolution with BetaSpring regarding SSBCI funding**

Mr. Moses addressed the Board with his concerns regarding the documents he received to date to review regarding this transaction. He felt that it would be necessary for the Board members to review the Private Placement Agreement that BetaSpring currently operated by in order to establish the types of investments this entity would be performing with the funds they would be receiving. Mr. Keith Stokes, Executive Director of the Rhode Island Economic Development Corporation, joined the meeting at this time to address any questions the Board may have. There was a question as to whether there would be any requirement made of the entities receiving funds, that they remain in the state of Rhode Island after their completion of BetaSpring's program. Mr. Stokes indicated that there was not, due to the fact that other programs in the surrounding areas did not incorporate this type of restriction, therefore it was necessary to leave it out in order to stay competitive. He added that there would be additional incentives offered to those that do stay in Rhode Island, rather than penalties for those that do not. Mr. Cole indicated that he had a copy of the Private Placement Memorandum for BetaSpring and could provide it to the Board for review. Mr. Moses suggested that the vote on the Resolution be tabled at this time, in order to allow the Board to review the additional documents. Upon motion duly made by Mr. DeMerchant and seconded by Mr. Parsons, the motion to table the vote on the Resolution with BetaSpring was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons, Mr. DeMerchant, Ms. Taito and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

**Executive Session**

Mr. Fogarty suggested that the Board move into executive session. Upon motion duly made by Ms. Taito and seconded by Mr. Parsons, the motion to move the meeting into executive session pursuant to Rhode Island Open Meetings Law 42-46-5(a)(6) of the General Laws of the State of Rhode Island, as amended, was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons, Ms. Taito, Mr. DeMerchant and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

Public session concluded and executive session began at 10:36 a.m.

**9. Executive Session Vote Ratification**

Mr. Fogarty called for ratification of the votes adopted during Executive Session. Upon motion duly made by Ms. Taito and seconded by Mr. Parsons, the following votes were ratified:

- (a) To approve the second advance of \$75,000 from the loan made to Providence Precision Golf Group.
- (b) To approve the request for a loan up to \$370,000 by Gunboat International, Ltd.
- (c) To deny the request for a \$250,000 loan by JC Import Company, Inc.
- (d) To approve the assumption of \$258,000 in delinquent debt to Cleanscape Inc., by Fusion Steel LLC d/b/a Tobey Waste & Recycling.
- (e) To approve the request for restructure and additional capital (approximately \$20,000) by Nationwide Diesel Technologies.
- (f) To approve the request for increase of loan approval from \$300,000 to \$325,000 from SD Concepts.

The following Directors voted in favor of the foregoing: Mr. Parsons, Ms. Taito, Mr. DeMerchant and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

**10. Other Business**

Mr. Fogarty suggested that Board members and staff schedule a strategic planning retreat in order to discuss policy and procedure. After brief discussion it was decided that the meeting would take place on February 2, 2012 from 11:00 a.m. to 4:00 p.m. and would commence at Bryant University.

There being no further business to come before the Board, Mr. Fogarty called for a vote to adjourn the meeting. Upon motion duly made by Mr. DeMerchant and seconded by Ms. Taito, the motion to adjourn the meeting was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons, Ms. Taito, Mr. DeMerchant and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

The meeting was adjourned at 12:16 p.m.

Respectfully submitted,

/s/ Sean Esten  
Sean W. Esten, Administrator

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